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IN THE

Supreme Court of the United States

October Term, 1963
No. 517

HARTLEY PEN COMPANY, *Petitioner,*

vs.

THE HONORABLE WILLIAM C. MATHES, Judge of the United States District Court for the Southern District of California, Central Division, *et al.*, *Respondents.*

HARTLEY PEN COMPANY, *Petitioner,*

vs.

FORMULABS, INCORPORATED, a corporation; CLARENCE SCHREUR and GORDON S. LACY, individuals doing business as PACIFIC RESEARCH LABORATORY, a copartnership, *Respondents.*

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

Brief for Respondents Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, Doing Business as Pacific Research Laboratory, in Opposition.

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Opinions Below.

The District Court did not write an opinion.

The opinion of the Court of Appeals for the Ninth Circuit in Appeal No. 18,180 dated May 29, 1963, is reported at 318 F. 2d 485, 137 U.S. P. Q. 825 (Pet. App. B.).

Reference should also be made to the following earlier decisions in this case:

(1) *Formulabs v. Hartley et al*, Appeal No. 16,140, decided February 15, 1960, by the Court of Appeals for the Ninth Circuit and reported at 275 F. 2d 52, 124 U. S. P. Q. 398 (Pet. App. F). Certiorari denied June 20, 1960, at 363 U. S. 830, 80 S. Ct. 1600.

(2) *Formulabs v. Hartley*, No. 17,741 (Appeal and Petition for Mandamus), decided July 11, 1962, by the Court of Appeals for the Ninth Circuit and reported at 306 F. 2d 148. (Pet. App. A.)

Jurisdiction.

The Hartley Pen Company, a California corporation doing business as The Hartley Co., on August 26, 1955 filed a complaint for breach of warranty in the Superior Court of the State of California, in and for the County of Los Angeles, against E. I. du Pont de Nemours & Company, a Delaware corporation.

The action was removed to the United States District Court for the Southern District of California, Central Division, by a Petition for Removal filed September 15, 1955.

The District Court had jurisdiction by virtue of the diversity of citizenship between the plaintiff Hartley Pen Company and the defendant E. I. du Pont de Nemours & Company under 28 U. S. C. 1332(a)(1).

Formulabs, Incorporated intervened under FRCP 24-(a)(3). Its motion to intervene was dismissed in the District Court but its right to intervene was sustained in the Court of Appeals on December 15, 1960 (Appeal

No. 16,140), in a decision found at 275 F. 2d 52, 124 U. S. P. Q. 398.

In that appeal every issue here presented was or could have been presented, the dismissed complaint seeking the same relief sought by the present amended complaint in intervention.

The Petition for Certiorari of Hartley Pen Company in Appeal No. 16,140 was filed in this court as No. 926 in the October Term, 1959, and denied on January 20, 1960, the Memorandum decision being reported at 363 U. S. 830, 80 S. Ct. 1600.

On return to the District Court and on August 9, 1961, Clarence Schreur and Gordon S. Lacy, dba Pacific Research Laboratory, joined Formulabs, Incorporated as intervenors.

The Complaint in Intervention of Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy dba Pacific Research Laboratory was directed solely against Hartley Pen Company, as have all complaints in intervention, and sought the same relief as the original complaint in intervention which the Court of Appeals had held in No. 16,140 on February 15, 1960 was proper.

Upon the return of the case to the District Court that court refused to act upon the Intervenors' Motion for Preliminary Injunction and upon the motions of both Hartley and du Pont to dismiss the complaint in intervention, and on January 10, 1962, while still refusing so to act, granted du Pont's Motion for an Order directing Hartley to disclose Intervenors' trade secret, the very thing Intervenors' complaint sought to prevent.

Intervenors thereupon brought No. 17,741 in the Court of Appeals contending that by its order the District Court had in effect denied Intervenors the injunction they sought, thereby giving them the right to appeal, or alternatively, the court had violated judicial discretion by so acting as to render it impossible to grant the relief Intervenors sought without giving Intervenors their day in court.

The Court of Appeals in No. 17,741 on July 11, 1962, the decision being found at 306 F. 2d 148, remanded the case to the District Court "with the suggestion and request that the District Court expeditiously rule upon Formulabs' motion for a preliminary injunction, and du Pont's and Hartley's motions to dismiss the complaint in intervention."

The District Court, upon the return of the case and on July 26, 1962, in compliance with the direction of the Court of Appeals in Appeal No. 17,741, as set forth at 306 F. 2d 148, acted upon Intervenors' Motion for Preliminary Injunction and the du Pont and Hartley Motions to Dismiss, denied the injunction and dismissed the complaint.

Intervenors immediately appealed on August 10, 1962, the appeal being identified below as No. 18,180.

The decision of the Court of Appeals on May 29, 1963, in No. 18,180 (Pet. App. B, pp. 10-42) again affirmed the right of Intervenors to intervene and corrected the District Court's error in refusing to give effect to the law of the case as established in the earlier Appeal No. 16,140.

In that same decision the Court of Appeals also dismissed No. 17,741, which had provided the basis

for its decision on July 11, 1962, which had directed the return of the case to the District Court, as stated above. All remaining issues being presented in No. 18,180 the dismissal of 17,741 was proper.

The court also ruled that Cause No. 17,799 should remain "unsubmitted until the further order of this court."

The Question Presented.

Instead of the multitudinous alleged questions set forth in the Petition under the title "Questions Presented" there is only one question presented here. That question may be stated as follows:

Does the owner of property comprising a trade secret have the right under Rule 24(a)(3) of the Federal Rules of Civil Procedure to intervene to assert its ownership rights to prevent disclosure under the order of the court in an action in which it is not otherwise interested?

Statute and Rule Involved.

The statute or rule directly involved is FRCP 24(a)-(3), 28 U. S. C. A. (Pet. App. E, pp. 44, 45.)

Statement of the Case.

The statement of the relevant facts as set forth in the decision of the Court of Appeals is full and accurate, is adopted by the Respondents as their statement, and is here quoted:

> "The matters before us in the above causes are rooted in an action instituted by Hartley Pen Company against E. I. du Pont de Nemours & Company for damages for breach of warranty.

"Hartley Pen Company is the petitioner in No. 17,799 and an appellee in No. 17,741 and No. 18,180. E. I. du Pont de Nemours & Company is a respondent in No. 17,799 and an appellee in No. 17,741 and No. 18,180. Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy, etc., are appellants in No. 17,741 and No. 18,180 and respondents in No. 17,799. The Honorable William C. Mathes, Judge of the United States District Court for the Southern District of California, is a respondent in No. 17,799.

"For convenience, Hartley Pen Company will be referred to as 'Hartley,' E. I. du Pont de Nemours & Company as 'du Pont,' Formulabs, Incorporated as 'Formulabs,' the Honorable William C. Mathes as 'District Court,' and Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy collectively, as 'Intervenors.'

"Hartley manufactures ball point pens containing cartridges filled with ink made under a secret formula comprising a trade secret belonging to Intervenors. The use of secret formula by Hartley was under the terms of a written license agreement with Formulabs.[1]

"[1]The license agreement states that Formulabs is the owner of a secret formula for making ball point ink which Hartley, engaged in the manufacture of ball point pens, desired to use in the manufacture of ink. Under the license agreement Hartley agreed, among other things, that it would not 'in any way or manner, make known, divulge or communicate the secret of said formula to any person or persons whomsoever, and will take all reasonable precaution against the secret of said formula being learned or acquired by any unauthorized person or persons.'

"The ink manufactured by Hartley and placed in the cartridges incorporated a dye purchased by Hartley from du Pont. In August 1953, du Pont sold to Hartley blue B dyes from Lots 36 and 37. The complaint filed by Hartley against du Pont alleges that the inks made by Hartley using dyes from Lots 36 and 37 proved to be defective and unmarketable. Hartley claims that it suffered general and special damages in large amounts as the proximate result of the alleged defective and unmarketable dye.

"As part of its discovery proceedings, du Pont sought, by interrogatories, to learn Formulabs' secret formula used by Hartley in the formulation of the alleged defective ink using the alleged defective dye, Lots 36 and 37, as well as certain of Formulabs' secret test procedures which had been disclosed to Hartley.

"Formulabs moved the District Court to intervene in the pending action between Hartley and du Pont on the ground that the property affected belonged to it and that its right of ownership would be seriously injured and destroyed by disclosure of the trade secrets. Formulabs' proposed cross-complaint prayed that Hartley be enjoined from disclosing such trade secrets. The District Court entered a final judgment pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, 28 U. S. C. A., denying Formulabs' petition for intervention. On appeal, this Court held that under the plain language of Rule 24(a)(3),[2] Formulabs

[2]Rule 24 of the Federal Rules of Civil Procedure, in pertinent part, provides: '(a) Intervention of Right. Upon

had a right to intervene in the action, and reversed the order of the District Court denying intervention. Formulabs, Inc. v. Hartley Pen Company, et al., 275 F. 2d 52 (9th Cir. 1960), cert. denied 363 U.S. 830, 80 S.Ct. 1600, 4 L.Ed. 2d 1524.

"On du Pont's motion for production and inspection, the District Court, the Honorable Benjamin Harrison now deceased, presiding, granted du Pont the right to inspect documents in Hartley's custody or under its control without protective provisions. It was conceded that such inspection would presumably disclose the secret formula and secret test procedures.

"On petition of Hartley to this Court for an extraordinary writ, this Court ordered a writ of mandamus to issue to the District Court and the judges thereof, directing the setting aside of those portions of the orders made by the District Court which required disclosure of the secret formula and the secret testing procedures, without prejudice, however, to du Pont's right to thereafter initiate such discovery procedures as might be proper in an endeavor to establish that disclosure of the secret formula, of the secret testing procedures, or both, was or were relevant and necessary to the proper defense by du Pont of the damage action pending in the District Court. Hartley

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timely application anyone shall be permitted to intervene in an action: (1) * * *; or (2) * * *; or (3) when the applicant is so situated as to be adversely affected by a distribution or other disposition of property which is in the custody or subject to the control or disposition of the court or an officer thereof.' As amended Dec. 27, 1946 eff. March 19, 1948.

Pen Company v. United States District Court for the Southern District of California, Central Division et al., 287 F.2d 324 (9th Cir. 1961).

"Following the return of the mandate of this Court to the District Court, du Pont initiated new discovery procedures against Hartley by way of interrogatories and requests for admissions, and by order signed January 10, 1962 and filed on January 11, 1962 Hartley was ordered over its objections to answer the interrogatories and requests for admissions and to do so on or before February 2, 1962.

"It is not seriously questioned that the answers to the interrogatories and requests for admission will require the disclosure of the trade secrets. While the order contains protective measures devised by the District Court for the preservation of the trade secrets upon disclosure by Hartley to du Pont, and which measures appear to be as effective as may reasonably be devised, considering the purpose to be served, nevertheless, it is not seriously questioned that disclosure to du Pont portends general publication of the secrets during the course of future proceedings in the main action.

"We granted leave to Hartley to file its petition for writ of prohibition and for writ of mandate, either or both in the alternative, and for other relief, and issued an order to show cause, directed to the District Court, du Pont and Intervenors. This petition seeks to have set aside by this Court the order of the District Court signed January 10, 1962 and filed January 11, 1962. Such order has been stayed by this Court to the extent that Hartley is relieved of the obligation to make, and is

enjoined from making any disclosure to any third party of any trade secrets belonging to Intervenors pending the further order of this Court.

"In substance, Hartley contends, for the reasons assigned in its petition, that the District Court was guilty of an abuse of discretion under the circumstances of the case in making and signing the disclosure order, and prays that an extraordinary writ be issued. This is the cause presented to us in No. 17,799.

"We will now posture Cause No. 17,741. In doing so, we deem it unnecessary to review the efforts of Intervenors to intervene in the main action pending in the District Court between Hartley and du Pont by the filing of various pleadings in intervention. Suffice it to say that at a hearing held on July 31, 1961, the District Court in part stated:

> 'So the leave, Mr. Sellers (counsel for Intervenors) is to file a complaint in intervention joining the Hartley Pen Company, the plaintiff, in opposing the efforts of the defendant to compel disclosure of the secret formula.
>
> 'Now, the motion of Schreur and Lacy to intervene and join Formulabs is granted to that extent, and otherwise denied; to the extent, namely, that Schreur and Lacy may join with Formulabs in this complaint in intervention, asserting essentially the first cause of action asserted in First Amended Pleading of the Intervenor filed July 17, 1961, with a prayer that the court not compel disclosure of the trade secrets and for all other proper relief, if you are so advised.'

"On August 9, 1961, there was filed a new or amended complaint entitled 'Complaint in Intervention of Formulabs, Incorporated, Clarence Schreur and Gordon S. Lacy,' in purported accordance with permission given at the hearing held on July 31, 1961. On the same day the Intervenors filed their motion for preliminary injunction seeking to enjoin Hartley from making such disclosures. The new or amended complaint in intervention embraces one cause of action against Hartley and seeks to enjoin Hartley from disclosing the trade secrets contrary to the licensing agreement. (See footnote 1, supra.) No formal order was entered as a result of the July 31, 1961 hearing, until September 11, 1961, which order entered on the latter date was back-dated to July 31, 1961. On August 30, 1961 Hartley filed its motion to dismiss the complaint in intervention and du Pont filed a similar motion on August 31, 1961. These motions were pending and undetermined on January 11, 1962 on which date there was filed the order signed by the District Court on January 10, 1962 wherein Hartley was ordered to answer the interrogatories and request for admissions filed by du Pont, which order is discussed above and which order Hartley seeks to have annulled by its petition for extraordinary writ in Cause No. 17,799. Intervenors have appealed to this Court from said order and said appeal forms the subject matter of Cause No. 17,741. Hartley and du Pont have separately moved this Court to dismiss the Intervenors' appeal on the ground that the order appealed from by the Intervenors is not a final, appealable order. The intervenors

concede that the order appealed from is not a final order as it relates to Hartley and du Pont, but contend that the effect of the order is tantamount to an order denying Intervenors the relief which they seek, i.e., to prevent Hartley from disclosing trade secrets. Intervenors urge us to accept the appeal as a petition for writ of mandamus, prohibition, or other writ for relief in event that we should conclude that the order appealed from is not an appealable order. This is the cause presented to us in No. 17,741.

"Following submission to us for decision of Causes 17,799 and 17,741 and on July 11, 1962, we vacated the submission in both causes and remanded Cause No. 17,741 to the District Court with request that the District Court rule upon Intervenors' motion for preliminary injunction and du Pont's and Hartley's motions to dismiss the complaint in intervention. See 306 F.2d 148 (9th Cir. 1962). In such order we stated: 'In the event that the party or parties adversely affected by such ruling or rulings shall appeal from such ruling or rulings, such appeal or appeals shall be consolidated with the present appeal in Cause No. 17,741 and with the petition in Cause No. 17,799, and said Cause No. 17,741 and the new appeal or appeals shall be submitted to this Court, without further oral argument on the briefs on file, the present record on appeal supplemented by the record of proceedings had in the District Court upon remand, and supplemental opening, answering and reply briefs on the legal question or questions presented by such new appeal or appeals. If no

appeal shall be taken from the ruling or rulings of the District Court on remand, such Cause No. 17,741 shall be resubmitted upon the expiration of the time provided for the taking of an appeal; and (b) to vacate the submission of Cause No. 17,799, the same to be deemed resubmitted without further oral argument on the present records and briefs upon resubmission of Cause No. 17,741."

"On remand of Cause No. 17,741 the District Court dismissed the Intervenors' complaint in intervention and denied Intervenor's motion for preliminary injunction. The order of the District Court denying the motion for preliminary injunction was signed on July 26, 1962, and entered by the Clerk on July 30, 1962. A copy of this order appears in Appendix I of this opinion. The order dismissing the Intervenors' complaint in intervention was signed by the District Court on July 26, 1962 and was entered by the clerk on July 30, 1962. A copy of this order appears in Appendix II to this opinion. The District Court's order for final judgment was signed on July 31, 1962 and entered by the clerk the following day. A copy of this order appears in Appendix III to this opinion. The order amending "Order for Final Judgment" was signed by the District Court on August 6, 1962 and entered by the clerk on the same day. A copy of this order appears in Appendix IV to this opinion. The order modifying 'Order Amending July 31, 1962 "Order for Final Judgment" entered August 6, 1962' was signed by the District Judge August 10, 1962 and entered by the clerk on the same day. A copy of this order appears in Appendix V to this opinion.

"On August 10, 1962 Intervenors filed their notice of appeal to this Court from the order of the District Court denying their motion for preliminary injunction and from the various orders dismissing the complaint in intervention.

"Intervenors seek orders from this Court reversing the orders of the District Court last mentioned. This is the cause presented to us in No. 18,180.

"Each of the causes was ordered submitted for decision on March 4, 1963."

Respondents wish to supplement the foregoing quoted statement from the decision of the Court of Appeals below (318 F. 2d 485, 137 U. S. P. Q. 825) by the following relating to the matter of *res judicata,* which, incidentally, is supported by Hartley's own Statement of the Case. See the Hartley Petition page 9, line 18, to page 10, line 18.

The Formulabs Appeal No. 16,140 in the Court of Appeals, decided February 15, 1960, comprised the initial effort of the intervenor Formulabs, Incorporated to gain the right to intervene under FRCP 24(a)(3) and to obtain an injunction to prevent Hartley from disclosing the trade secret of great value. As the Court of Appeals there stated:

"The cross complaint prayed that Hartley be enjoined from disclosing such trade secrets." (275 F. 2d 52, 54.)

The issues considered by the Court of Appeals in that first decision are evidenced by the following quotations:

"Formulabs rests its entire right to intervene under section (a)(3) of the rule, . . ." (275 F. 2d 52, 55.)

"The issue before us is whether Formulabs had a right to intervene under Rule 24(a)(3)." (275 F. 2d 52, 55.)

The party Hartley was making the same contentions then as now as indicated by the following:

"(1) The law appears to be well settled that if an applicant seeks to intervene under the provisions of Rule 24(a)(2) the intervenor must have an interest in the subject matter of the litigation of such a nature that he will gain or lose by the direct legal operation of the judgment, *Kelley v. Summers*, 10 Cir., 1954, 210 F. 2d 665, and that the requirement in 24(a)(2) that a party seeking to intervene must be 'bound by' the judgment in the main action has been held to mean that such judgment must be res adjudicata as to such party. *Sutphen Estates v. United States*, 1951, 342 U. S. 19, 72 S. Ct. 14, 96 L. Ed. 19.

"(2) Du Pont and Hartley contend on this appeal that the requirements to intervene under Rule 24(a)(2) are applicable to intervene under the provisions of Rule 24(a)(3)." (275 F. 2d 52, 55.)

The party Hartley was relying upon the same decisions before the Court of Appeals in that first decision as in the present petition, the Court of Appeals saying:

"They cite in support of their position *Dozedy v. Hazefield*, 88 U.S.App.D.C. 241, 189 F.2d 637 (decided March 1, 1951), certiorari denied 342 U.S. 830, 72 S.Ct. 54, 96 L.Ed. 628." (275 F. 2d 52, 55, 56.)

The Court of Appeals in that first decision in 1960 held adversely to Hartley's present contentions with respect to the requirements for intervention under FRCP 24(a)(3) and in the following words:

> "The provision contained in Rule 24(a)(2) is entirely different than the language contained in 24 (a)(3). Under 24(a)(2) it must appear that the applicant to intervene is or may be bound by the judgment in the main action. There is no such requirement contained in the provisions of Rule 24 (a)(3). Under its plain language any person has the right to intervene if he is so situated as to be adversely affected by a distribution or other disposition of the property which is in the custody or subject to the control or disposition of the court." (275 F.2d 52, 56.)

With respect to Hartley's present contention that the matter should be decided in the California State Courts in an action filed on January 17, 1962, four (4) years after intervention in the District Court, the Court of Appeals said in 1960:

> "The fact that Formulabs may have the right to seek damages or an injunction against Hartley in the state court is in our view a completely inadequate remedy." (275 F.2d 52, 57.)

The petition for certiorari of the party Hartley following Appeal No. 16,140 was denied, the memorandum decision being found at 363 U. S. 830, 80 S. Ct. 1600.

Hartley in the present petition again brings the same case and the same issues before this court.

ARGUMENT

1. The Decision Below Is Correct.

Intervenors own proprietary rights in a trade secret of great value.

The Court of Appeals in the decision on Appeal No. 16,140 on February 15, 1960, said:

> ". . . There can be no question that Formulabs will be adversely affected by an order of the court requiring publication of the trade secrets. As stated in *Cincinnati Bell Foundry Co. v. Dodds* (1887), 19 Weekly Law Bulletin, 10 Ohio Reprint 154:
>
> > 'The property in a trade secret is the power to make use of it to the exclusion of the world. If the world knows the process then the property disappears. There can be no property in a process, and no right of protection if knowledge of it is common to the world.' "

Hartley had possession of Intervenors' trade secret and was under the duty to maintain its secrecy by virtue of contract, and by virtue of confidential disclosure.

The District Court had control of the secret through its jurisdiction of Hartley and ordered a disclosure thereof inconsistent with Intervenor's rights. FRCP 24(a)-(3), as held by the Court of Appeals, gives to the owner of the property the right to intervene.

To deny that right would be to take Intervenors' property without due process of law as guaranteed by the Constitution.

The alternative insisted upon by the District Court was that the Intervenors ignore their rights against Hartley and instead join Hartley in its opposition to du Pont's effort to show good cause justifying, as between it and Hartley, the disclosure of Intervenors' secret.

On October 10, 1961, Intervenors presented the following argument to the District Court opposing the latter's position and supporting the right to proceed against Hartley alone, which, it is respectfully contended, is a view accepted by the Court of Appeals:

> "The present 'Statement' comprises an assertion of intervenors' overriding rights by virtue of their ownership of the property concerned which should be, in their view, controlling regardless of du Pont's showing of 'good cause'.
>
> "It is intervenors' position that regardless of the showing of E. I. du Pont de Nemours & Company, hereinafter called 'du Pont', Hartley Pen Company, hereinafter called 'Hartley', cannot disclose and should not be ordered to disclose.
>
> "The reason? The trade secrets belong to intervenors. Hartley has no right to disclose. This Court cannot order disclosure without taking intervenors' property.
>
> "Accordingly, intervenors oppose any attempt by du Pont to obtain disclosure of the trade secrets comprising the secret ink formula (that is all du Pont is now seeking), and full and complete answers given by Hartley to du Pont's Interrogatories 43 through 59, inclusive, 61, 63, 64, 67 through 70, inclusive, 74 and 76, will disclose or at the least will tend to disclose."

* * *

"The verified complaint in intervention and affidavits of Schreur and Lacy clearly establish ownership of the trade secrets in intervenors, the disclosure in confidence to Hartley, the written agreement by Hartley not to disclose the secret ink formula, the value of the formula, and the fact that disclosure to du Pont would violate intervenors' property rights and destroy their property.

"If the secrets involved were the property of Hartley this discovery issue would be simple. But the secrets do not belong to Hartley. They belong to intervenors.

"Until intervenors' property rights are established or discredited to the satisfaction of this Court, until intervenors' rights to have Hartley restrained from destroying their property disclosed in confidence are determined, until intervenors' right to have Hartley restrained from destroying their unique property in violation of the agreement of June 10, 1952, is determined, any order of this Court effecting the disclosure of intervenors' trade secrets will comprise a violation of intervenors' rights under the Constitution.

"Intervenors' right to intervene to assert those property rights were upheld by the Court of Appeals in this very case.

"Intervenors' have filed a verified complaint in intervention. It alleges ownership of the trade secrets in intervenors, a contract binding Hartley not to disclose the ink formula about which du Pont now seeks information disclosing or tending to disclose the secret. Those allegations stand un-

denied. No answer has been filed yet by Hartley. Both Hartley and du Pont have filed motions to dismiss.

"The opportunity to oppose du Pont's attempt to show 'good cause, relevancy and necessity' and the opportunity to assert intervenors' rights of ownership of a trade secret which they can enforce only against Hartley, to whom the secret was disclosed in confidence, are not the same.

"As understood, the ruling of the Court . . . is to be based upon a 'proceeding' relating solely to Du Pont's right to discovery and what Hartley (with intervenors' assistance according to the direction of the Court) can show in opposition thereto. Does this 'proceeding' contemplate a determination of the relative rights of Hartley and intervenors, a determination which clearly is a condition precedent to the acceptance of intervenors' contention that as owners they have the right to keep their secret inviolate. Clearly not, for no opportunity is given to determine the issues raised by the complaint in intervention.

"Amendment 14 of the United States Constitution at Section 1 provides in part as follows:

> '. . . nor shall any State deprive any person of life, liberty, or property, without due process of law; . . .'

"The Fifth Amendment contains the prohibition against the Federal Government as follows:

> 'No person shall be . . . deprived of life, liberty or property, without due process of law; . . .'

"As was stated in *French v. Barber Asphalt Paving Co.* (1901), 181 U. S. 324, 329:

'. . . the legal import of the phrase "due process of law" is the same in both amendments.'

"The Constitution of the State of California in Article 1, Section 13, provides in part:

'No person shall . . . be deprived of life, liberty, or property without due process of law.'

"Mr. Justice Field in *Hagar v. Reclamation District No. 108* (1883), 111 U.S. 701, 28 L.Ed. 569, page 572, said:

'. . . The clause in question means, therefore, that there can be no proceeding against life, liberty or property which may result in the deprivation of either, without the observance of those general rules established in our system of jurisprudence for the security of private rights.'

"Intervenors should not be deprived of their property without first being given the right to protect it.

'A hearing or an opportunity to be heard is an essential element of due process of law'.

Corpus Juris Secundum, Constitutional Law, Sec. 622;

Ochoa v. Hernandez y Morales, Porto Rico, 33 S.Ct. 1033, 1038, 230 U.S. 139, 57 L.Ed. 1427.

"Due process requires that before one can be deprived of property, notice and opportunity for hearing before some tribunal authorized to determine the question shall be had.

United States Constitution, 14th Amendment;

Constitution of California, Art. I, Sec. 13;

Hill v. Badelly, 290 Pac. 637, 639, 107 Cal. App. 598;

Suckow v. Board of Medical Examiners, 187 Pac. 965, 966, 182 Cal. 247.

"Notwithstanding the foregoing, the Court has set September 11, 1961, as the date on which it will rule upon the necessity for Hartley to answer du Pont's additional interrogatories which both intervenors and Hartley state will disclose, or at least tend to disclose, valuable trade secrets.

"This case has been pending for years. It has already been to the Court of Appeals twice. The desirability of prompt and diligent progress is unarguable. But, justice speeded to the point at which there can be no adjudication of extremely valuable rights of nationally known businesses, leaders in their respective fields, is, it is respectfully contended, justice denied.

"Intervenors must have their day in court to assert *their rights of ownership in the property in question.* They have that right. To base the decision upon those rights upon the ability of a third party (du Pont) to show 'good cause, relevancy and necessity' in an action against anyone but intervenors does not appeal to reason.

"It has been suggested that perhaps intervenors' property right will have to yield to some superior procedural right of du Pont. As large as it is, du Pont is not vested with a public interest, and it is denied that du Pont, a private corporation, has or can have any procedural right justifying the destruction of intervenors' unique property.

> "Stated succinctly, intervenors oppose the granting to du Pont of an order directing Hartley to disclose intervenors' trade secrets upon the grounds that the secrets are unique property which they are entitled to protect and preserve under the United States Constitution and no third person has the right to take that property without their permission under the guise of a procedural right of discovery."

The decision below gives to Intervenors their day in court to protect their property. It is correct.

2. The Issue Petitioner Raises Is Res Judicata as to Formulabs, Incorporated and Petitioner's Contentions Are Contra to the Law of This Case.

The facts recited under the title Statement of the Case *supra* show that the issues which Petitioner Hartley now seeks to contest are *res judicata* as to Formulabs, Incorporated and that its contentions are contra to the law of this case.

The right to file a complaint in intervention under FRCP 24(a)(3) was established by the decision of the Court of Appeals in Appeal No. 10,140 in 1960, and became the law of this case.

The complaint before the District Court and before the Court of Appeals in No. 10,140 was, as is the present complaint, directed solely against Hartley and sought to enjoin disclosure as set forth in the quotations from the decision of the Court of Appeals under the title Statement of the Case above.

It is the fact that Clarence Schreur and Gordon S. Lacy, doing business as Pacific Research Laboratory, intervened upon the return of the case from the Appeal 16,140, but they took the case and the law of the case as they found it.

Every issue now raised was or could have been raised in No. 16,140.

This is Hartley's second petition for certiorari on the same issues, the first denial of a writ being found at 363 U. S. 830, 80 S. Ct. 1600.

In *Partmar Corp. et al. v. Paramount Pictures Theatres Corp., et al.* (S. Ct. 1954), 347 U. S. 89, 74 S. Ct. 414, this court said:

> "We have often held that under the doctrine of res judicata a judgment entered in an action conclusively settles that action as to all matters that were or might have been litigated or adjudged therein."

The fact the District Court failed and refused to follow the decision of the Court of Appeals and the law of the case following Appeal No. 16,140 necessitated subsequent appellate action by Intervenors in Appeals No. 17,741 and 18,180.

However, the refusal of the District Court to accept the law of the case and follow the decision of the Court of Appeals in early Appeal No. 16,140 did not release or relieve Hartley of the binding effect of that first appeal, the correctness of which was reaffirmed in the subsequent decision in No. 18,180.

3. There Is No Conflict of Decisions.

The attention of this Court to this case cannot be justified upon the grounds of conflict of decisions. There is no known prior decision interpreting FRCP 24(a)(3) with respect to the issues present in this case.

In Appeal No. 16,140 the Court of Appeals in its decision said:

> "We have been unable to find any controlling decision which has interpreted or construed this amended sub-section." (275 F.2d 52, 55.)

In Appeal No. 18,180 below the Court of Appeals said:

> "We have been unable to find any controlling or persuasive decision bearing on the answer to the question under discussion when the problem is viewed in the context presented to us." (318 F. 2d 485, 492.)

4. Intervention Under FRCP 24(a)(3) Need Not Be Supported by Diversity of Citizenship nor by Independent Federal Jurisdiction.

For a District Court to take possession of the property of one not a party to the action before it, and to dispose of that property without giving to the owner the opportunity to be heard, simply does not appeal to one's sense of equity. It has not appealed to this court in the past.

There are no decisions directly in point but the way has been marked out clearly, perhaps best, in *Kripendorf v. Hyde*, 110 U. S. 276, 28 L. Ed. 145, decided

in 1884, long before the adoption of the Federal Rules of Civil Procedure. This court there recognized the inherent right of the possessor of property to be heard in its protection in a manner fully consistent with the present assertion of rights under FRCP 24(a)(3).

In that case an action was brought to recover an amount alleged to be due for goods and merchandise sold. A writ of attachment was issued. The appellant, claiming ownership of the goods, was added as a party to the action but his name was later stricken without prejudice. Judgment was subsequently rendered in favor of the plaintiff and the attached property was ordered sold. The appellant, not a party to the action, thereupon filed a bill naming all parties to the action as defendants including the Marshal. The grounds of the decree of the Circuit Court below was that the appellant had a plain and adequate remedy at law. This Court said in part:

> "The principle is that a bill filed on the equity side of the court to restrain or regulate judgments or suits at law in the same court and thereby prevent injustice or an inequitable advantage under mesne or final process, is not an original suit but ancillary and dependent, supplementary merely to an original suit out of which it had arisen and is maintained without reference to the citizenship or residence of the parties.
>
> * * *
>
> "No one, even in equity, is entitled to be made or to become a party to the suit unless he has an interest in its object (Calvert, Parties, 13); yet it is the common practice of the courts to permit strangers to the litigation, claiming an in-

terest in its subject-matter, to intervene on their own behalf to assert their titles. 'When any person . . . claims to be entitled to an estate or other property sequestered whether by mortgage or judgment, lease or otherwise, or has a title paramount to the sequestration, he should apply to the court to direct an inquiry whether the applicant has any and what interest in the property sequestered. This inquiry is called an examination pro interesse suo . . .' The grounds of this procedure are the duty of the court to prevent its process from being abused to the injury of third persons, and to protect its officers and its own custody of property in their possession, so as to defend and preserve its jurisdiction, for no one is allowed to question or disturb that possession except by leave of the court.

* * *

". . . So that, unless he is allowed to intervene by his present bill to stay the distribution of the fund, which, by the demurrer, is admitted to be his own, the anomaly will be presented, in judicial proceedings, of an award, dividing property among claimants, from which the only person excluded is the one whose sole and paramount title is confessed; and he will be compelled to stand idly by to witness the dissipation of his property into many unknown hands, by a court, to whose jurisdiction he has submitted himself from the beginning, and which now remits him to an action for damages against its own officer who has simply acted under its order."

In *Wabash R. Co. v. Adelbert College* (1908), 208 U. S. 39, 28. S. Ct. 182, 52 L. Ed. 379, this Court said:

> "For the purpose of avoiding injustice which otherwise might result, a court during the continuance of its possession has, as incident thereto and as ancillary to the suit in which the possession was acquired, jurisdiction to hear and determine all questions respecting the title, the possession, or the control of the property. In the courts of the United States this incidental and ancillary jurisdiction exists, although in the subordinate suit there is no jurisdiction arising out of diversity of citizenship or the nature of the controversy."

The Court of Appeals in the decision below in No. 18,180 said:

> "However, we find ourselves in agreement with the following statement appearing in 4 Moore's Federal Practice, 2nd Ed. Sec. 24.18, pp. 135-136:
>
> 'Where the right to intervene is absolute no independent ground of federal jurisdiction need be shown to support the intervention. To hold otherwise would result in an emasculation of the right to intervene, for oftentimes an independent ground of jurisdiction would be lacking. Here intervention may properly be regarded as ancillary or auxiliary to the main proceeding and authorized in the cases specified in subdivision (a) of Rule 24.'
>
> "Intervenors' complaint is to be regarded as ancillary or auxiliary to the main action and need not be supported by an independent ground of federal jurisdiction." (318 F.2d 485, 492.)

The absence of any requirement of diversity of citizenship in the present case is also supported by:

Freeman v. Howe (1860), 65 U. S. 450, 16 L. Ed. 749;

Phelps v. Oaks (1886), 117 U. S. 236, 6 S. C. 714, 29 L. Ed. 888.

Conclusions.

The petition for writ of certiorari filed on behalf of Hartley Pen Company presents no meritorious reason justifying its grant.

Upon a District Court taking possession of property for the purposes of disposition or control, which property does not belong to any litigant, the court acquires ancillary jurisdiction to hear and to determine all questions respecting title, possession and control of that property.

The decision below is consistent with the law and with the equities of the case.

The issues raised by the petition are *res judicata* and the petitioner's contentions are inconsistent with the law of this case.

There are no conflicting decisions of other circuits.

The denial of the petition is respectfully urged.

Dated: October 25, 1963.

Respectfully submitted,

WILLIAM DOUGLAS SELLERS,
Attorney for Respondents Formulabs, Incorporated, a corporation, Clarence Schreur and Gordon S. Lacy, individuals doing business as Pacific Research Laboratory, a copartnership.